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SUBJECT: COMMERCE D/S SAMPSON ENCOURAGES TURKEY TO RESOLVE TRADE
IMPEDIMENTS AND IMPROVE TRADE RELATIONS

11. (SBU) Summary: During a June 5-9 visit to Turkey, Deputy
Secretary of Commerce Dr. David Sampson discussed ways to improve

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the bilateral economic relationship with Turkey's Foreign Trade
Minister, the Chairman of Turkey's largest business organization,
and the Foreign Minister and MFA Under Secretary. During his
meetings, the Deputy Secretary raised U.S. industry concerns about
certain Turkish trade policies and heard about Turkish concerns
about U.S. anti-dumping procedures and the desire for greater
business-business cooperation between U.S. and Turkish companies.
The visit, including public speeches and magazine and broadcast
interviews, generated an unusually positive response from the press.

The resounding message from the meetings was that government
officials should strengthen efforts to foster private sector
cooperation and trade so that the bilateral economic relationship
can reach its full potential. End Summary.

Foreign Trade Minister Tuzmen

12. (SBU) State Minister for Foreign Trade Kursad Tuzmen began the
meeting with a statement in Turkish to the press, stating that while
bilateral trade had grown, it remained tiny compared to the size of
the total U.S. economy, and in relation to the overall growth of
Turkey's international trade. Tuzmen raised the ongoing DOC
anti-dumping investigation into iron and steel imports from Turkey,
which composed 10% of Turkey's overall exports to the United States
in 2006. He argued that DOC decision to include a recent Turkish
Competition Board's (TCB) anti-trust decision in its deliberations
is unfortunate and does not relate to the allegations in the
anti-dumping case. Tuzmen unexpectedly included representatives
from Turkey's iron and steel industry in the meeting, who told D/S
Sampson that since the decision to open the case, Turkey's steel
exports to the U.S. have declined by 56%. The U.S. was the largest
importer of Turkish iron and steel products in 2006. D/S Sampson
explained that DOC does not intend to rely on the TCB's
anti-competition finding to determine the existence of dumping but
that rather we are investigating the reliability of the information
provided by the Turkish respondents in the case. He further stated
that all parties will have the opportunity to comment on Commerce's
preliminary conclusions before a final determination is issued. He
invited Turkish industry representatives to provide input to the
investigative team that was currently in Turkey.

13. (SBU) Tuzmen also appealed to both the Ambassador Wilson and
D/S Sampson to "do everything they could" to influence decisions
that would positively affect Turkey's exports, especially in the
iron and steel and textiles sectors, and to support Turkey's

continued inclusion in the Generalized System of Preferences (GSP) program, which provides certain goods duty free import status in the U.S. He also mentioned the ongoing dispute between Turkey and the U.S. at the WTO's Dispute Settlement Body (DSB), which is examining Turkey's rice importation practices, and expressed Turkey's disappointment that this case could not have been settled amicably between the two parties without the resorting to the DSB.

¶4. (SBU) Tuzmen outlined Turkey's proposal for textile "safeguards" put forward during WTO NAMA discussions, asked for U.S. support. He also provided a brief update on Container Security Initiative (CSI) discussions, urging further U.S. support for Turkey's border and port security. Ambassador noted that progress on CSI is awaiting GOT approval of a draft bilateral agreement. Tuzmen said his staff is awaiting final comments from relevant Turkish agencies and will respond to the U.S.'s most recent proposal as soon as possible. Finally, Tuzmen informed D/S Sampson that Turkey ratified the WIPO "internet treaties" on May 8, 2007. This was one of the improvements called for in USTR's 2006 Special 301 report, and he hoped that this action would cause USTR to look favorably at taking Turkey off of the Priority Watchlist in 2008.

¶5. (SBU) D/S Sampson agreed that trade between the two countries is not meeting its potential and pledged to continue to engage in an open dialogue to try to solve issues and assist with Turkish trade missions to the U.S. D/S Sampson also explained DOC's "Invest in America" campaign, which adds promotion of foreign investment in the U.S. to DOC's brief. On the rice case, D/S Sampson assured Tuzmen of USTR's willingness to continue the dialogue. Regarding textiles, he stated that Turkey's proposal for the treatment of textiles in the Doha Round had initiated a useful discussion among WTO members. The D/S also mentioned the U.S. proposal focusing on labeling requirements for textiles, apparel and footwear and asked for Turkey's support for that proposal.

¶6. (SBU) D/S Sampson raised U.S. innovative pharmaceutical

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companies' ongoing concerns about the remaining generics applications (ref A) filed prior to January 1, 2005, on which the Turkish Ministry of Health (MOH) has yet to make a decision. He asserted that strengthening the protection of intellectual property will go a long way in improving Turkey's attractiveness to innovative companies. He also raised the continuing problem of pirated and counterfeited books produced in and/or sold in Turkey. D/S Sampson then discussed the U.S. distilled spirits industry's comments and concerns about the amended system for applying traceable strip stamps to products imported by Turkey (ref B). He also reiterated concerns raised during the Trade and Investment Framework Agreement (TIFA) talks about what the U.S. distilled spirits industry views as discriminatory taxation against imported products.

TOBB Chairman Rifat Hisarciklioglu

¶7. (SBU) During a luncheon with Turkish Union of Chambers of Commerce and Commodities Exchanges (TOBB), Chairman Rifat Hisarciklioglu argued that bilateral trade between Turkey and the U.S. is well below its potential and urged D/S Sampson to help find ways to expand the relationship. Hisarciklioglu and D/S Sampson discussed ways to improve bilateral trade and attract investment between the two countries as well. TOBB advisor Dr. Guven Sak made a presentation on how the private sector could take a lead role in strengthening U.S.-Turkey economic ties.

Foreign Minister Abdullah Gul

¶8. (SBU) Foreign Minister Gul expressed his support for strengthening Turkey's trade relationship with the U.S. and commended D/S Sampson for recognizing the importance of this relationship. Gul emphasized the importance placed on economic relations in the "Shared Vision and Strategic Partnership" document he cosigned with Secretary Rice in 2006 and emphasized the

importance of working together to realize the Action Plan resulting from the recent bilateral Economic Partnership Commission meeting (ref C). Gul argued that U.S.-Turkish joint business ventures were too small and that government leaders should visibly push cooperation in this area. Gul also discussed how the ruling AK Party's economic reforms had improved Turkey's economy by making companies operate more efficiently. D/S Sampson complimented the dramatic reforms that have been accomplished and cited the sharp increase in foreign direct investment as an indicator of just how much the economic outlook has improved. He stated that the purpose of his visit is to support greater commercial linkages between the U.S. and Turkey and to raise awareness in the U.S. of the potential in the Turkish market.

MFA Under Secretary Ertugrul Apakan

¶9. (SBU) Under Secretary Apakan expanded on what was said by Foreign Minister Gul and emphasized the importance of the EPC Action Plan as a guideline for future activities. He asserted that the U.S. should view Turkey not only as a strategic bilateral partner but also as a stabilizing presence with a positive impact on the "neighborhood," including the Mediterranean and the Black Sea region. Apakan provided an update on several initiatives awaiting Turkish action, including the Science and Technology Agreement and the CSI Agreement, both action items from the EPC. He reported on the May 8 ratification of the WIPO treaties and echoed Tuzmen's hope that this action would help Turkey get off of the USTR Special 301 Priority Watch List in 2008. D/S Sampson raised U.S. concerns over the continued availability of pirated and counterfeited books in Turkey and mentioned the U.S. pharmaceutical industry's ongoing concerns about the remaining generic applications. Apakan suggested that a working-level meeting with MOJ and MOH experts in attendance might be helpful to work through IPR-related issues. Both agreed on the importance of the relationship and pledged to work together to strengthen it.

Boeing Advocacy at Turkish Airlines

¶10. (SBU) At the Turkish Airlines (THY) offices in Istanbul, D/S Sampson called on THY President and CEO Temel Kotil to discuss the Airline's ambitious expansion plans, particularly as they related to new U.S. routes and future aircraft purchases. Kotil said that THY

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has recently been concentrating on new routes from Asia. To build on their Turkey hub strategy, they plan to add many African routes in the coming year. With regard to the U.S., Washington, DC is next on their planned new routes, followed by Los Angeles. Sampson asked specifically about purchase plans. Kotil said that currently their narrow bodies are Boeings (primarily 737-800s) and their long-haul wide body aircraft are Airbus. THY's goal is to continue to standardize their long-haul aircraft with one maker. Sampson praised the superior economy and features of the Boeing 787 Dreamliner. Kotil confirmed that he will attend the 787 rollout in July in Seattle.

Private Sector Engagement

¶11. (SBU) Also in Istanbul, D/S Sampson met separately with representatives from the Turkish Industrialists and Businessmen's Association, U.S. financial services providers, Turkish American Business Association, and the Turkish-U.S. Business Council (TAIK)/Foreign Economic Relations Board (DEIK), and gave opening remarks at the American Business Forum in Turkey's Conference on Innovation. In these meetings, the Deputy Secretary stressed the need for greater U.S.-Turkey commercial linkages and highlighted the importance of innovation to Turkey's continued economic success. The D/S solicited input from the private sector representatives on additional reforms needed in the Turkish economic and regulatory environment, as well as the opportunities for and impediments to

increased bilateral trade and investment.

Comment

¶12. (SBU) D/S Sampson's visit sent the message to Turkish officials that the U.S. values the growing economic and trade relationship with Turkey, a message that was well-received by those with whom he met as well as with the Turkish press. The consistent message that came from these meetings is that our economic relationship is important but is not achieving its full potential. Hopefully through the initiatives agreed to at the EPC and especially with private sector involvement, Turkish and U.S. companies will begin to find new ways in which to cooperate and do business.

¶13. (SBU) This message was cleared by the Commerce Department.
WILSON